



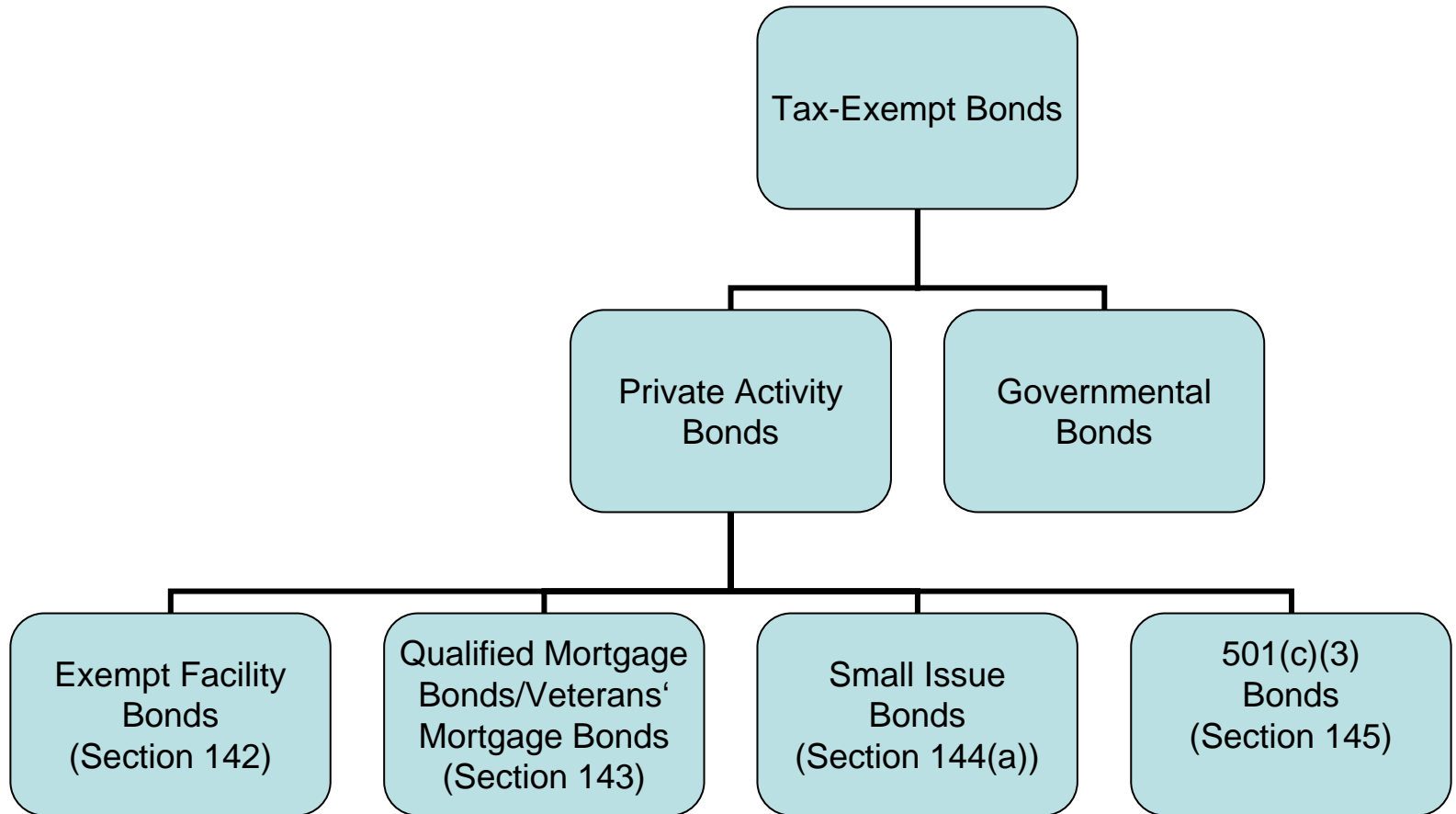
Private Activity Bonds

Private Activity Bonds

- Subject to U.S. Treasury Regulations
- Below market interest rates
- Issued in the name of a City, County, or State Authority (NIFA)
- Interest on the bonds is exempt from federal and Nebraska state income tax on the interest (extent of deduction depends upon investor's individual circumstances).
- The proceeds of a private activity bond (or "PAB") generally benefit a private user.



Types of Tax-Exempt Bonds



Allocation of State Volume Cap

- The State Bond Volume Cap resource is limited by federal law.
- 2006 Nebraska Volume Cap: \$246,610,000
- An allocation from the State Bond Volume Cap must be obtained for each project that constitutes a "private activity bond" (other than 501(c)(3) bonds).
- Executive Order 98-3
 - 50% to Qualified Mortgage Bonds
 - 20% to Multifamily, Agriculture, and IDB
 - 30% to Governor Discretionary



Public Purposes

- Create new or additional employment (number, duration, type, average wage).
- Expand tax base and increased property, sales or other taxes
- Maintain and promote a stable, balanced and diversified economy.



Eligible Projects

- Small Issue IDBs
 - Manufacturing enterprises
- Exempt Facility
 - Airports, docks & wharves, mass commuting facilities
 - Qualified residential rental housing
 - Facilities for the furnishing of water
 - Sewage and solid waste disposal facilities
 - Hazardous waste facilities



Eligible Expenses

- Building and Equipment
- Land (25% limit)
- Costs of architects, engineers, attorneys and permits
- Costs of bond issuance (2% limit)



Size (\$) of Small Issue IDBs

- \$10 million limit (election)
 - Outstanding bonds for facilities in same incorporated municipality
 - \$20 million aggregate amount of capital expenditures for facilities paid or incurred during six year period (3 yrs before issuance, 3 years after)
- No company can use or benefit from a “small issue” IDB if the company’s total outstanding IDBs will exceed \$40 million nationwide.

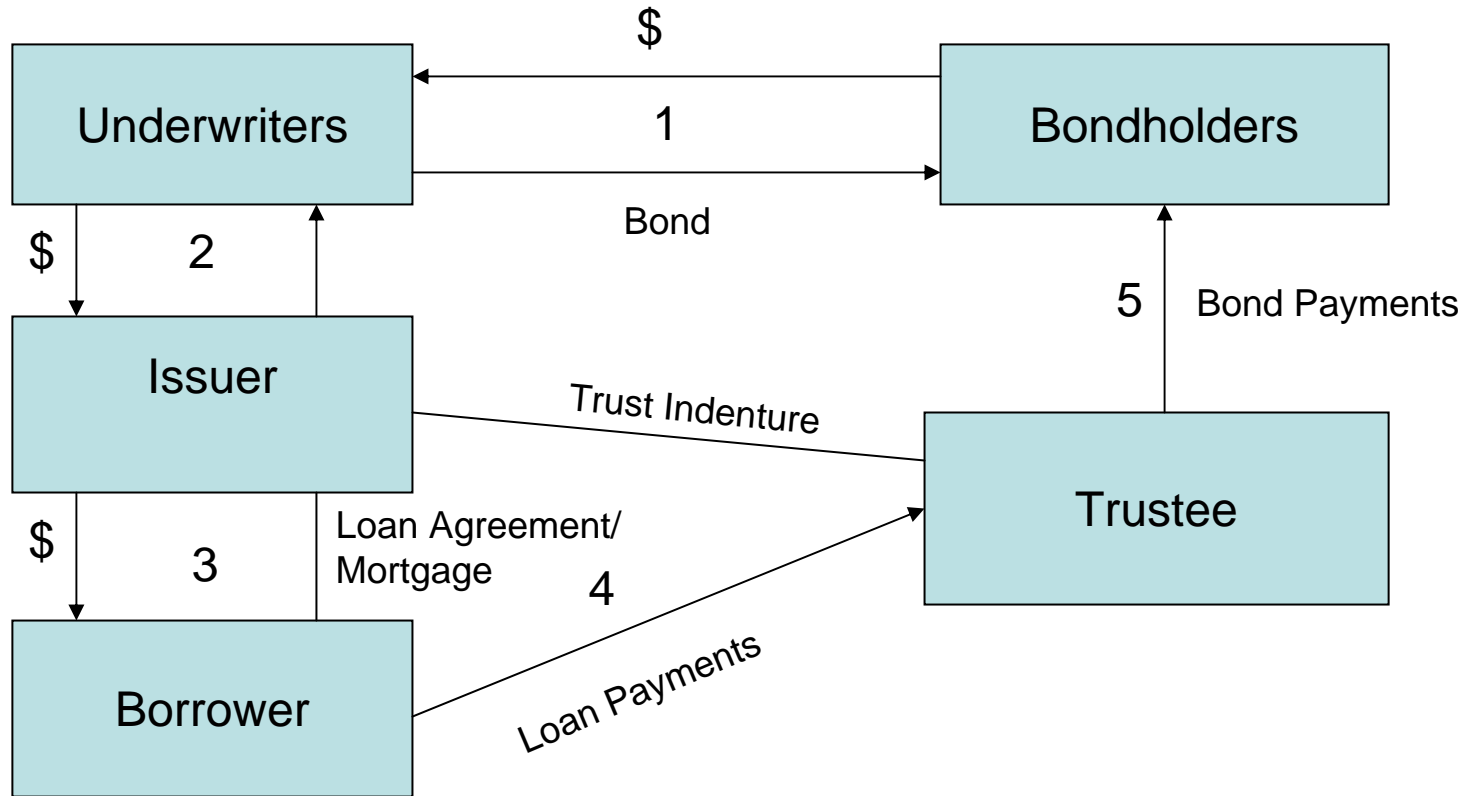


Federal Restrictions

- At least 95% of the bond proceeds must be used for land or depreciable property.
- No more than 2% of bond proceeds used for costs of issuance.
- No more than 25% of bond proceeds may be used for land costs.
- If an existing building is acquired, rehabilitation in an amount at least equal to 15% of the bond proceeds must be used to renovate the facility.
- The life of the bond issue may not exceed 120% of the estimated useful life of the assets being financed.



Follow the Money



Uses: Finance land or depreciable property



Parties to the Transaction

- Issuer (NIFA/City/County)
- Borrower
- Trustee
- Investment Banker/Underwriter
- Letter of Credit Lender
- Bond Counsel for Issuer
- Counsel for Borrower



Credit Enhancement

- Guarantee that the principal and interest on the bonds will be paid when due.
- Private Placement vs. Public Sale.
 - Public Sale: NIFA requires a rating of “AA” or better by Moodys, Standard and Poors, or Fitch Ratings.
 - Private Placement: must use NIFA’s Private Investor Letter.



NIFA Bond Issuance Process

- Submit tax-exempt financing application to NIFA.
- NIFA staff review to determine project eligibility.
- NIFA Board will consider the adoption of an Intent Resolution. Costs incurred more than 60 days prior to Intent Resolution will not qualify for tax-exempt financing.
- Applicant contacts a financial institution or an investment banker (deal structuring).
- Applicant hires bond counsel to draft documentation for the financing.
- Documents submitted to NIFA and its legal counsel for review.



NIFA Bond Issuance Process

- Submit a request to NIFA for private activity bond allocation.
- Public Hearing on the project (at least 14 days) prior to final Board approval.
- Applicant may request final approval from the NIFA Board when all terms are finalized.
- NIFA may then approve a final Bond Resolution.
- After adoption of the Bond Resolution and subject to final review by NIFA staff and NIFA counsel, all parties may execute documents and close the bond issue.



NIFA Bond Issuance Fees

- Non-refundable Application Fee: 1/16 of 1% of the bond amount (\$1,000 minimum). This fee will be applied toward issuance fee.
Example: $\$5,000,000 \times .000625 = \$3,125$
- Issuance Fee: 1/8 of 1% of the bond amount (\$1,000 minimum).
Example: $\$5,000,000 \times .00125 = \$6,250$
- Legal Counsel Fee: based on normal hourly rates plus disbursements.
- Assumption Fee: 1/8 of 1% of outstanding bond balance (\$1,000 minimum).
- Bond Allocation Fee: \$150.
- Ongoing fees for Multifamily projects.



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